

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

SEP - 9 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Regulatory Reform for  
Local Exchange Carriers  
Subject to Rate of Return  
Regulation

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CC Docket No. 92-135

COMMENTS OF  
THE UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA), pursuant to Section 1.429(f) of the Commission's rules, 47 C.F.R. § 1.429(f), hereby comments on the National Exchange Carrier Association's (NECA's) "Petition for Reconsideration," and on the American Telephone and Telegraph Company's (AT&T's) "Petition for Clarification or, Alternatively, Reconsideration," both filed on August 5, 1993, in the above-captioned proceeding. NECA and AT&T seek reconsideration and/or clarification of the Commission's Report and Order (R&O) in this proceeding, FCC No. 93-253, released June 11, 1993.

The relief sought by NECA and AT&T is largely consistent with the arguments set forth in USTA's "Petition for Partial Reconsideration and Clarification," also filed on August 5. For example, NECA asks that local exchange carriers (LECs) that exit the Commission's Optional Incentive Regulation (OIR) plan be allowed to enter, or reenter, NECA's voluntary traffic sensitive pool. (NECA Petition, pp. 3-4) USTA also sought reconsideration on this point. (USTA Petition, pp. 6-7) USTA agrees with NECA

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that providing LECs with the opportunity to enter or reenter NECA's traffic sensitive pool is necessary in order to ensure pool neutrality, an important Commission objective.

AT&T asks the Commission to clarify that LECs are to utilize a 24-month base period for OIR filings subsequent to the initial filing. (AT&T Petition, p. 4) If, however, the Commission actually intended to allow use of a 12-month base period, AT&T requests that the Commission reconsider its decision. (Id.) AT&T states that reconsideration is necessary to preserve the self-corrective nature of the historical cost-based tariffs under the OIR plan, and to remove an opportunity for LECs to "game" the system. (Id.)

While USTA disagrees that LECs would have either the incentive or opportunity to "game" the system under the OIR plan, USTA supports AT&T's request to utilize a 24-month base period for subsequent OIR plan tariff filings. As stated in USTA's petition (pp. 4-5), 24-month data is the most accurate data for purposes of tariff review and monitoring efforts, and is necessary to obtain the full effect of the self-correction feature of the OIR plan.

AT&T also requests that the carrier common line ("CCL") demand adjustment formula be clarified and revised in order to accurately reflect the Commission's stated intent. (AT&T Petition, pp. 5-6) USTA agrees that the formula, as set forth in both amended Section 61.39 and new Section 61.50 of the

Commission's rules, does not reflect the text of the Report and Order. (See R&O, ¶ 60) For this reason, USTA has recommended that the Commission adopt the wording set forth in the attachment to USTA's petition, in place of the current versions of Section 61.39(b)(3) and (4), and Section 61.50(k). (See USTA Petition, pp. 17-18)


Finally, AT&T is concerned that the pricing flexibility feature of the OIR plan lacks an index to track carrier prices. AT&T believes that, as presently written, new Section 61.50(h)(2) (which deals with pricing flexibility) could be interpreted to permit a LEC to set prices over the two-year tariff period so as to recover 110% of the LEC's costs, including rate of return. (AT&T Petition, pp. 7-8)

USTA agrees that the result envisioned by AT&T under the pricing flexibility feature of the OIR plan was not intended by the Commission. USTA believes, however, that the method of tracking rate changes should be determined in the tariff review process contemplated by the Commission. (See R&O, ¶ 36) In this regard, USTA has developed a recommended tariff review plan (TRP) which could be utilized to track a LEC's use of pricing flexibility under the OIR plan. A copy of USTA's proposed TRP is attached to these comments.

In sum, the Commission should grant the petitions of USTA, NECA and AT&T for reconsideration and/or clarification of the R&O, in line with the comments set forth above.

Respectfully submitted,

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September 9, 1993

**CERTIFICATE OF SERVICE**

I, Robyn Davis, do hereby certify that copies of the foregoing Reply Comments of the United States Telephone Association were sent via first class mail, postage paid, to the following on this 9th day of September, 1993:

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**ATTACHMENT**

**RECOMMENDED TRP FORMS FOR OIR TARIFF FILINGS**

**RECOMMENDED TRP FORMS FOR OIR TARIFF FILINGS**

- 1) **COS-1(H)** - Corresponds to current Tier 2 TRP COS-1. Contains historical revenue and cost data for two-year PYCOS period. Data shown for Total Company, Part 64, Subject to Separations, Interstate, and Part 69 elements.
- 2) **COS-2 - Eliminated.** Comparisons of forecasts to actual results are not relevant to OIR tariff regulation.
- 3) **DMD-1** - Corresponds to current Tier 2 TRP DMD-1 except for the exclusion of prospective data. Provides common line demand data for each year in the OIR base period.
- 4) **DMD-2** - Corresponds to current Tier 2 TRP DMD-2 except for the exclusion of prospective data. Provides special access demand quantities for the OIR base period.
- 5) **DMD-3** - Corresponds to current Tier 2 TRP DMD-3 except for the exclusion of prospective data. Provides common line demand and revenue data.
- 6) **DMD-4** - Corresponds to current Tier 2 TRP DMD-4 except for the exclusion of prospective data. Provides historical common line and traffic sensitive minutes of use data for four years (OIR tariff base period and preceding two years).
- 7) **DMD-6 - New form for OIR filings.** Contains the common line adjustment factor calculation.
- 8) **RTE-1** - Corresponds to current Tier 2 TRP RTE-1 providing current-to-proposed rate comparisons.

- 9) **RTE-2 - Corresponds to current Tier 2 TRP RTE-2 providing annualized priceout comparisons.**
- 10) **RTE-3 - No change from the current Tier 2 TRP RTE-3 providing COSAs for which rates are averaged.**
- 11) **RTE-4 - New form for OIR filings - Pricing Flexibility Relationship Maintenance Worksheet. Present mechanism by which OIR LECs develop rates for a biennial filing that maintain the relative pricing flexibility relationships from the previous tariff period.**

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#### **RECOMMENDED TRP FORMS FOR OIR TARIFF FILINGS**

- 12) **RTE-5 - New form for OIR filings - Pricing Flexibility Worksheet. Presents parameters for pricing flexibility filings, including 10% limit tests for service category rate changes and revenue neutrality tests for service baskets.**
- 13) **REV-1 - Eliminated. Demand and rate reconciliations presented on REV-1 are redundant with respect to data shown on RTE-4.**
- 14) **REV-2 - No change from current Tier 2 TRP REV-2 providing test period revenues.**